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IN REPLY
REFER TO

AQOD

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MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
DISTRICTS
COMMANDERS, DCMC CONTRACT ADMINISTRATION
OFFICES

SUBJECT: DCMC Memorandum 97-052, Price Analysis (INFORMATION)

This is an INFORMATION Memorandum. It expires in one year.
Target Audience: All DCMC personnel involved in pricing and negotiating contracts.

The DoD Inspector General (IG) recently completed another audit (DoD IG Report 97-207, Contracting Officer Price Analysis, August 26, 1997) of the use of price analysis in the evaluation of contract price proposals. This audit was a follow-up to a nearly identical review done at the same twelve sites in 1993 (DoD IG Report 94-004, October 15, 1993). The findings were also basically the same;

- o Cost analysis was being used in situations where price analysis alone would have been sufficient.

- o The use (or non-use) of price analysis was not adequately documented in price negotiation memoranda.


The DoD IG noted some improvement since the last report, e.g., overall, the use of price analysis increased from 53% to 69% of the cases reviewed. But there's still plenty of room for improvement. The IG found that one DCMC office used price analysis in each of the twelve cases reviewed at that site, but the other four DCMC offices included in the audit used price analysis in less than 25% of their negotiations.

All offices should take the time to ensure that its personnel are familiar with the regulatory requirements (especially the FAR 15.802 "pricing information" hierarchy and the FAR 15.805 proposal analysis coverage) and Command policy (DLAD 5000.4, Price Negotiation) concerning the use and documentation of price analysis. "How to" guidance is available in the



FAR 15.805 contract pricing desk reference set that can be downloaded from the Federal Acquisition Institute's Homepage (www.gsa.gov/staff/v/training.htm). We're also going to post the briefing charts that we used during last Summer's videoteleconference on price analysis in a hypertext format (so they can be viewed online) on our Website—this "virtual briefing" will be available in a few weeks.

Executive summaries of these, and all other DoD IG audits, are available on the Internet at www.sbaonline.sba.gov/ignet/internal/dod/dod.html. Please direct any questions or comments on this letter to Dave Ricci, Contractor Capability and Proposal Analysis, (703) 767-3376, DSN 427-3376 or email: dave_ricci@hq.dla.mil.


See JILL E. PETTIBONE
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Contract Management Policy